

Message Text

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ACTION TRSE-00

INFO OCT-01 AF-06 EUR-12 NEA-09 ISO-00 AEC-05 AID-05

CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07 FEAE-00

FPC-01 H-01 INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01

PM-03 RSC-01 SAM-01 OES-03 SP-02 SS-15 STR-01 FRB-01

OPIC-03 EA-06 (ISO) W

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R 081145Z JAN 75

FM AMEMBASSY AMMAN

TO SECSTATE WASHDC 3448

AMEMBASSY KUWAIT

AMEMBASSY TRIPOLI

AMEMBASSY ABU DHABI

AMEMBASSY JIDDA

AMEMBASSY TEHERAN

AMEMBASSY CAIRO

AMEMBASSY BEIRUT

AMEMAASSY ALGIERS

AMEMBASSY DAMASCUS

AMEMBASSY TUNIS

AMEMBASSY LONDON

AMEMBASSY DJAKARTA

AMEMBASSY KHARTOUM

AMEMBASSY KABUL

AMEMBASSY ISLAMABAD

AMEMBASSY SANNA

AMEMBASSY RABAT

AMEMBASSY COLOMBO

AMEMBASSY NEW DELHI

AMEMBASSY PARIS

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E.O. 11652: N/A

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TAGS: EINV, EFIN, EAID, JO, XF, KU, LY, TC, SA, AG

SUBJECT: TRIPARTITE INVESTMENT IN LDC'S UTILIZING MIDDLE EAST OIL FUNDS

REF: STATE 281356

1. JORDAN, AS RECIPIENT OF BUDGET SUPPORT GRANTS FROM SAUDI ARABIA AND KUWAIT, HAS FOR SOME TIME BENEFITTED FROM MIDDLE EAST OIL FUNDS. GOJ HAS ALSO RECEIVED OCCASIONAL GRANTS FROM OTHER OIL PRODUCERS, NOTABLY ABU DHABI AND QATAR. SOME GRANTS HAVE APPEARED AS GENERAL BUDGET REVENUES, WHILE OTHERS HAVE REPORTEDLY GONE DIRCTLY TO MILITARY.
 2. IN ADDITION TO GRANTS, IRAN AND ABU DHABI ARE MAKING LOANS ON FAVORABLE TERMS FOR INFRASTRUCTURE PROJECTS, SUCH AS HIGHWAYS AND EDUCATIONAL AND HELTH FACILITIES. KUWAIT FUND HAS MADE LOANS FOR DAM AND THERMAL POWER PLANT AND RECENTLY AGREED TO LEND JORDANIAN INDUSTRIAL DEVELOPMENT BANK (IDB) ONE MILLION KUWAIT DINARS. IDB MAKES LOANS TO LOCAL FIRMS FOR NEW OR EXPANSION OF FACILITIES FOR INDUSTRY AND TOURISM.
 3. SO FAR JORDAN HAS ATTRACTED LITTLE PRIVATE FOREIGN INVESTMENT. MOST OBSERVERS AGREE THAT INCENTIVES FOR FOREIGN INVESTORS PROVIDED BY GOJ LEGISLATION ARE ADEQUATE, BUT JORDAN GENERALLY LACKS RAW MATERIALS AND MARKET TO BE AN IMPORTANT MANUFACTURING CENTER. INDUSTRIAL PROJECTS ARE USUALLY TOO SMALL TO ATTRACT OUTSIDE INTERESTS AND WITH THE EXCEPTION OF LARGE UNDERTAKING, CAPITAL FOR MOST LOCAL PROJECTS HAS BEEN PROVIDED BY LOCAL INVESTORS. THUS FAR THERE HAS NOT BEEN ANY EVIDENCE THAT SHORTAGE OF CAPITAL WAS LIMITING FACTOR IN PRIVATE INVESTMENT.
 4. FUNDS FROM NEARBY OIL PRODUCERS WILL CONTINUE TO BE IMPORTANT SOURCE OF FINANCING FOR INFRASTRUCTURE PROJECTS WHICH CREATE MARKET FOR US EXPORTS. FOR EXAMPLE, TWO AMERICAN FIRMS SUPPLY EQUIPMENT AND SERVICES FOR NEW ZARQA POWER PLANT, IN PART, FINANCED BY KUWAIT FUND. SOME INDUSTRIAL PROJECTS MAY INVOLVE TRIPARTITE INVESTMENT INVOLVING OIL FUNDS, NOTABLY DEVELOPMENT OF POTASH AND COPPER DEPOSITS AND FERTILIZER PLANT. IN FACT, US FIRM LIKELY TO PROVIDE EQUITY AND KNOW-HOW FOR FERTILIZER PLANT WHICH MAY BE FINANCED, IN LIMITED OFFICIAL USE
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- PART, BY KUWAIT. IN ADDITION TO MINERALS, TOURISM IS POTENTIAL AREA FOR TRIPARTITE INVESTMENT.
5. MOST LOCAL OBSERVERS FORESEE RISING INVESTMENT FROM MIDDLE EAST OIL PRODUCERS, BUT NO DRAMATIC INCREASE. EMBASSY WILL CONTINUE TO KEEP WASHINGTON INFORMED OF UP-COMING PROJECTS, PUBLIC AND PRIVATE, THAT COULD RPROVIDE OPPORTUNITIES FOR AMERICAN BUSINESS. US BANKS WITH BRANCHES THROUGHOUT MIDDLE

EAST MAY ALSO FACILITATE TRIPARTITE INVESTMENT BY KEEPING CUSTOMERS
IN OIL PRODUCING COUNTRIES INFORMED OF OPPORTUNITIES IN NEIGHBORING
COUNTRIES SUCH AS JORDAN.
PICKERING

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Margaret P. Grafeld
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